

RURAL WATER DISTRICT NUMBER 3
Sedgwick County
Mulvane, Kansas

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT

December 31, 2020 and 2019

RURAL WATER DISTRICT NUMBER 3
Sedgwick County
Mulvane, Kansas

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Year ended December 31, 2020 and 2019

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Rural Water District Number 3
Sedgwick County
Mulvane, Kansas

Report on Financial Statements

We have audited the accompanying financial statements of the business-type activities of Rural Water District Number 3, Sedgwick County, Mulvane, Kansas, as of and for the year ended December 31, 2020 and 2019 and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparations and fair presentation of the financial statements in accordance with the accounting principles generally accepted in the United States of America and the *Kansas Municipal Audit and Accounting Guide*. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the *Kansas Municipal Audit and Accounting Guide*. Those standards require we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on auditor's judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparations and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

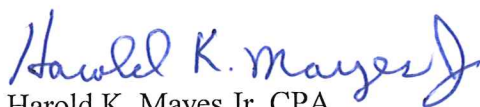
Opinion

In our opinion, the financial statements referred to above presents fairly, in all material respects, the financial position of the business-type activities of Rural Water District Number 3, Sedgwick County, Mulvane, Kansas as of December 31, 2020 and 2019, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Rural Water District Number 3, Sedgwick County, Mulvane, Kansas has not presented the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board, who considers it an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming an opinion on the basic financial statements that collectively comprise the District's basic financial statements. The revenues and expenses compared to budgets (Schedule 1 listed in the table of contents) are the responsibility of management and were derived from and related directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statement or to the basic financial statements itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, revenues and expenses compared to budgets are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

A handwritten signature in blue ink that reads "Harold K. Mayes Jr." with a stylized flourish at the end.

Harold K. Mayes Jr. CPA
Agler & Gaeddert, Chartered
Ottawa, Ks.
February 22, 2021

Rural Water District Number 3
Sedgwick County
Mulvane, Kansas
STATEMENTS OF NET POSITION
December 31,

ASSETS			
Current Assets		2020	2019
Cash Collection	\$	155,255	\$ 138,996
Cash Operations		267,792	126,742
Petty Cash		350	300
125 Plan Cash		9,344	8,589
Money Market		13,530	136,389
U.S. Government Securities - amortized cost - held to maturity		2,224,247	1,997,358
Accounts Receivable		125,479	112,993
Accrued Interest Receivable		17,993	20,340
Inventory		102,159	59,441
Total current assets		<u>2,916,149</u>	<u>2,601,148</u>
Property, Plant and Equipment			
Land		96,596	96,596
Utility Plant		7,712,505	7,602,795
Improvements		48,550	48,550
Equipment		564,479	552,406
Office Furniture & Equipment		75,468	75,468
Vehicles		213,401	172,722
Building and Improvements		501,785	501,785
		<u>9,212,784</u>	<u>9,050,322</u>
Accumulated Depreciation		<u>(4,987,365)</u>	<u>(4,744,861)</u>
Total Property Plant and Equipment		<u>4,225,419</u>	<u>4,305,461</u>
Other Assets			
U.S. Government Securities - amortized cost - held to maturity		2,651,727	2,508,794
Brec Credit		7,297	7,166
		<u>2,659,024</u>	<u>2,515,960</u>
Total Assets	\$	<u><u>9,800,592</u></u>	\$ <u><u>9,422,569</u></u>

The accompanying notes are an integral part of these statements.

Rural Water District Number 3
Sedgwick County
Mulvane, Kansas
STATEMENTS OF NET POSITION
December 31,

LIABILITIES AND NET POSITION

	2020	2019
Current Liabilities		
Water Bill Payable	\$ 38,867	\$ 36,188
Water Programs Payable	1,058	866
Tower Painting - current portion	0	60,262
Sales Tax Payable	311	294
SUTA Accrued	<u>0</u>	<u>65</u>
Total Current Liabilities	<u>40,236</u>	<u>97,675</u>
Net Position		
Invested in Capital Assets, net of related debt	4,225,419	4,305,461
Unrestricted Net Position	<u>5,534,937</u>	<u>5,019,433</u>
Total Net Position	<u>9,760,356</u>	<u>9,324,894</u>
Total Liabilities & Net Position	<u>\$ 9,800,592</u>	<u>\$ 9,422,569</u>

The accompanying notes are an integral part of these statements.

Rural Water District Number 3**Sedgwick County**

Mulvane, Kansas

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

For the Years Ended December 31,

	2020	2019
Operating Revenues		
Water Sales	\$ 977,600	\$ 761,996
Monthly Minimum	723,552	706,977
Penalties	19,982	21,030
Other Fees and Receipts	17,869	5,284
Total Revenues	<u>1,739,003</u>	<u>1,495,287</u>
Cost of Sales		
Cost of Water	20,747	8,551
Cost of Pumping	4,847	3,305
Cost of Water-Wichita	595,897	468,123
Clean Drinking Water	4,043	3,621
Total Cost of Sales	<u>625,534</u>	<u>483,600</u>
Gross Profit	<u>1,113,469</u>	<u>1,011,687</u>
Operating Expenses		
Wages - Total	282,284	247,544
Meter Readers	31,497	30,716
Payroll Tax Accountant	22,665	19,917
SIMPLE Match	8,839	8,264
Fuel & Vehicle Maint.	13,742	12,756
One Call Locations	4,027	3,020
Legal Fees	41,205	22,940
Engineering Fees	59,253	6,155
Accounting & Auditing	5,931	5,746
Contract Repairs	22,257	13,011
Repair Supplies	21,968	13,717
Tower Lights	2,102	3,588
Propane	1,602	2,540
Telephone	5,710	5,061
Office & Software	19,852	16,768
Postage	10,517	9,667
Insurance & Bonds	35,869	29,917
Employee Benefits-Insurance	71,537	68,016
Miscellaneous	13,536	8,924
Christmas & Meetings	5,536	9,185
Reimbursed Expenses	4,500	4,750
Dues and Fees	6,064	5,500
Real Estate Tax	14	13
Education/Training/Conference	714	690
Depreciation	246,042	246,039
Office Utilities	2,302	3,014
Total Operating Expenses	<u>939,565</u>	<u>797,458</u>
Total Operating Income (Loss)	<u>173,904</u>	<u>214,229</u>

The accompanying notes are an integral part of these statements.

Rural Water District Number 3
Sedgwick County
Mulvane, Kansas
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Year Ended December 31,

	<u>2020</u>	<u>2019</u>
Non-Operating Revenues (Expenses)		
Realized Gain (Loss) on Sale of Assets	\$ 18,122	\$ (13,032)
Other losses	(947)	0
Interest income	<u>87,383</u>	<u>115,171</u>
Total Non-Operating Income (Loss)	<u>104,558</u>	<u>102,139</u>
Other Revenues and (Expenses)		
Sales of benefit units	<u>157,000</u>	<u>150,940</u>
Net Income	<u>435,462</u>	<u>467,308</u>
Total net position, beginning of year	<u>9,324,894</u>	<u>8,857,586</u>
Total net position, end of year	\$ <u><u>9,760,356</u></u>	\$ <u><u>9,324,894</u></u>

The accompanying notes are an integral part of these statements.

Rural Water District Number 3
Sedgwick County
Mulvane, Kansas
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2019

Cash flows from operating activities	2020	2019
Cash received from customers	\$ 1,726,517	\$ 1,495,829
Cash paid to suppliers, including water	(1,033,923)	(749,473)
Cash paid to employees (including payroll taxes and benefits)	(385,325)	(343,741)
Net cash provided by (used in) operating activities	<u>307,269</u>	<u>402,615</u>
Cash flows provided by (used in) financing activities		
Water benefit units proceeds	157,000	150,940
Refund of benefit units	<u>0</u>	<u>0</u>
Net cash provided by (used in) financing activities	<u>157,000</u>	<u>150,940</u>
Cash flows provided by (used in) investing activities:		
Purchases of property and equipment (net of reimbursements)	(168,303)	(164,205)
Interest income	90,988	82,912
Maturities of U.S. Government Securities (par value)	2,200,000	2,025,000
Purchases of U.S. Government Securities	(2,551,699)	(2,522,498)
Net cash provided by (used in) investing activities	<u>(429,014)</u>	<u>(578,791)</u>
Net increase (decrease) in cash and cash equivalents	35,255	(25,236)
Cash and cash equivalents, beginning of year	<u>411,016</u>	<u>436,252</u>
Cash and cash equivalents, end of year	\$ <u><u>446,271</u></u>	\$ <u><u>411,016</u></u>
Cash Balances		
Cash Collections	\$ 155,255	\$ 138,996
Cash Operations	267,792	126,742
Petty Cash	350	300
125 Plan Cash	9,344	8,589
Money Market	<u>13,530</u>	<u>136,389</u>
	\$ <u><u>446,271</u></u>	\$ <u><u>411,016</u></u>
Reconciliations of operating income to net cash provided by (used in) operating activities		
Operating income	\$ 173,904	\$ 214,229
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation	246,042	246,039
Changes in assets and liabilities not current affecting cash:		
(Increase) Decrease in accounts receivable	(12,486)	542
(Increase) Decrease in inventory	(42,718)	9,674
Increase (Decrease) in account payable	2,789	(7,633)
Increase (Decrease) in other payables	<u>(60,262)</u>	<u>(60,236)</u>
	\$ <u><u>307,269</u></u>	\$ <u><u>402,615</u></u>

The accompanying notes are an integral part of these financial statements.

Rural Water District Number 3
Sedgwick County
Mulvane, Kansas
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of significant accounting principles consistently applied in the preparation of the accompanying financial statements are noted as follows.

1. Financial Reporting Entity

The scope of the entity for financial reporting purposes is defined as those funds for which the Rural Water District Number 3 (here in referred to as the District) is considered to be financially accountable. The District's financial statements include all of its operations. The District is a separately administered organization. The District has no component units. The District is a quasi-municipality governed by an elected six-member board.

2. Government-wide and Fund Financial Statements

Government-wide Financial Statements - The government-wide financial statements include the statement of net position. This statement reports financial information for the District as a whole. Individual funds are not displayed but the statements distinguish between governmental activities generally supported by taxes and general revenues (of which the District does not have any), from the business-types activities, generally financed in whole or in part with fees charged to external customers. The District is a special-purpose government engaged in a single governmental program (delivery of water to customers in the Mulvane, Kansas area).

The statement of revenues, expenses and changes in net position reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities, expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services that report fees, fines and forfeitures, and other charges to users of the District's services; (2) members deposits water meters. All other revenues and expenses not properly included with program revenues or meter deposits will be reported as other revenues and expenses.

The District has just one fund to present in the basic financial statements that accounts for water sales and service to customers of the District. This fund is reported as an enterprise fund.

3. Measurement focus and Financial Statement Presentation

The financial statements of the District are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when relate cash flows take place. Expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Reimbursements are reported as reductions to expenses or capital assets.

Operating income reported in the financial statements includes revenues and expenses related to the primary, continuing operations of the District. Operating revenues are charges to customers for sales or services. Operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Non-operating revenues and expenses consist of gain (loss) on sales of assets, realized and unrealized gains and losses on investments, and investment income. Other revenues and expenses consist primarily of benefit units sold or refunded.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as needed.

Budgets are adopted for internal use only and are not required to be published or approved by outside agencies. All budgets are prepared using the accrual basis of accounting.

Rural Water District Number 3
Sedgwick County
Mulvane, Kansas
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019

NOTE A. - SUMMARY OF SIGNIFICANT ACCOUNTING POLICEIES - continued

4. Fund Types and Major Funds

Governmental funds: The District has no governmental funds.

Business-type funds: The District has one major enterprise fund. The Water fund accounts for the operating activities of the District's water utilities services.

5. Cash and Cash Equivalents

For purposes of the statement of cash flows, cash equivalents are short term, highly liquid investments having original maturities of three months or less, not restricted for contingencies.

6. Accounts Receivable

The direct write-off method is used for bad debts. Accounts receivable are written off when deemed uncollectible. Accordingly, no allowance for bad debts has been recorded.

7. Inventory

Inventory consist of pipe, meters and other materials used by the District in its daily operations and is valued at cost which is based upon invoices received at the time the inventory item is paid.

8. Property, Plant and Equipment

Property, plant and equipment are reported at cost. Major improvements and betterments to existing property and equipment are capitalized. Expenditures for maintenance and repairs that do not extend the life of the applicable assets are charged to expenses as incurred. Historically, the District has received reimbursements from customers (i.e. line extensions) which are accounted for as reductions of costs.

Depreciation is provided on the straight-line basis over the estimated useful life of the assets as follows:

Equipment and Lines	40 years
Building, Pump Station, and major projects	40 years
Furniture and equipment	3 - 10 years
Tower fencing	7 - 20 years

9. Income Tax

The District is not subject to federal or state income taxes as a quasi-governmental unit.

10. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

11. Revenues

Operating revenues and expenses included the sale of water and the expenses associated with pumping and cleaning the water. Non-operating revenues and expenses consist of investment income and sales of assets.

Rural Water District Number 3
Sedgwick County
Mulvane, Kansas
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019

NOTE A. - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

12. Deferred Outflows and Inflows of Resources

The District does not have any deferred outflows or inflows to report at the current time.

13. Restricted and Unrestricted Resources

The District's policy is to first expend restricted resources should the expenditure qualify for the restricted purpose before expending unrestricted funds.

NOTE B - ASSETS, LIABILITIES AND NET POSITION

1. Cash and Investments

Deposits and Investments - K.S.A. 9-1401 establishes the depositories which may be used by the District. The statute requires banks eligible to hold the District's funds have a main or branch bank in the county in which the District is located, or in an adjoining county if such institution has been designated as an official depository, and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The District has no other policies that would further limit interest rate risk.

Custodial credit risk – Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. State statutes require the District's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. The District did not have any designated "peak periods" for the current year. All deposits were legally secured at December 31, 2020.

At year-end the carrying amount of the District's deposits (less cash on hand of \$300) was \$445,921 for 2020 and \$410,716 for 2019 respectively. The bank balance was \$457,724 for 2020 and \$422,116 for 2019 respectively. The difference between book and bank balance is outstanding deposits and checks. The bank balance was held by one bank resulting in a concentration of credit risk. Of the bank balance \$250,000 for 2020 and \$250,000 for 2019 respectively, was covered by FDIC insurance and \$207,724 for 2020 and \$172,116 for 2019 respectively was collateralized with securities held by the pledging financial institutions' agents in the District's name.

Investments - K.S.A. 12-1675 authorizes the District's investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The District has no investment policy that would further limit its investment choices.

As of December 31, 2020 and 2019, the District held U.S. Government Securities consisting of Federal Farm Credit Bank, Federal Home Loan Bank and U.S. Treasury Notes. At December 31, 2020 and 2019, maturities for noncurrent held-to maturity securities were between one and two years. At December 31, 2020 and 2019 the estimated fair value of each investment approximated its amortized cost and therefore, there were no significant unrecognized holding gains or losses. The District does not make adjustments for temporary market fluctuations. The investments are carried cost because they are held to maturity. When these investments mature the gain or loss on the investment is reported in the financial statements under non-operating income. Interest rates on these investments range from 1.10% to 4.375% for 2020 and 1.10% to 2.75% for 2019. The District investments are reported at amortized cost.

Rural Water District Number 3
Sedgwick County
Mulvane, Kansas
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019

NOTE B. - ASSETS, LIABILITIES AND NET POSITION - continued

1. Cash and Investments - continued

Investments are stated at amortized costs.

	2020			
	Maturities in years			
		Less than	1 to 2	
Investment Type	Cost	1 year	years	Rating
Federal Farm Credit	\$ 950,980	\$ 0	\$ 950,980	SP-AA+
Federal Home Loan Mtg.	1,683,745	806,089	877,656	SP-AA+
Fannie Mae	205,583	0	205,583	SP-AA+
U.S. Treasury Note	2,035,591	1,418,158	617,433	SP-AA+
U.S. Saving Bond	75	0	75	SP-AA+
	<u>\$ 4,875,974</u>	<u>\$ 2,224,247</u>	<u>\$ 2,651,727</u>	

	2019			
	Maturities in years			
		Less than	1 to 2	
Investment Type	Cost	1 year	years	Rating
Federal Farm Credit	\$ 1,141,424	\$ 850,000	\$ 291,424	SP-AA+
Federal Home Loan Mtg.	1,257,557	450,000	807,557	SP-AA+
Fannie Mae	197,358	197,358	0	SP-AA+
U.S. Treasury Note	1,909,738	500,000	1,409,738	SP-AA+
U.S. Saving Bond	75	0	75	SP-AA+
	<u>\$ 4,506,152</u>	<u>\$ 1,997,358</u>	<u>\$ 2,508,794</u>	

2. Accounts Receivable

Accounts receivable	2020	2019
Currently due from customers	\$ 125,590	\$ 114,036
Past due from customers	12,949	11,649
Credit balances	<u>(13,060)</u>	<u>(12,692)</u>
	<u>\$ 125,479</u>	<u>\$ 112,993</u>

3. Inventories

Inventory is valued at costs and is used internally and not for resell.

Inventories	2020	2019
Pipe, couplings, fittings, meters ect.	<u>\$ 102,159</u>	<u>\$ 59,441</u>

Rural Water District Number 3
Sedgwick County
Mulvane, Kansas
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019

4. Capital Assets are detailed as follows:

Capital assets

Capital assets	2020			
	Beginning Balance	Additions	Retirements	Ending Balance
Land	\$ 96,596	\$ 0	\$ 0	\$ 96,596
Utility Plant	7,602,795	115,551	5,841	7,712,505
Improvements	48,550	0	0	48,550
Equipment	552,406	12,073	0	564,479
Office Furniture & Equipment	75,468	0	0	75,468
Vehicles	172,722	40,679	0	213,401
Building and Equipment	501,785	0	0	501,785
Totals at cost	9,050,322	168,303	5,841	9,212,784
Accumulated depreciation:	4,744,861	246,042	3,538	4,987,365
Net Fixed Assets	\$ 4,305,461	\$ (77,739)	\$ 2,303	\$ 4,225,419

Capital assets	2019			
	Beginning Balance	Additions	Retirements	Ending Balance
Land	\$ 96,596	\$ 0	\$ 0	\$ 96,596
Utility Plant	7,575,168	91,090	63,463	7,602,795
Improvements	48,549	1	0	48,550
Equipment	479,291	73,115	0	552,406
Office Furniture & Equipment	75,468	0	0	75,468
Vehicles	172,722	0	0	172,722
Building and Equipment	501,785	0	0	501,785
Totals at cost	\$ 8,949,579	164,206	63,463	9,050,322
Accumulated depreciation:	4,498,822	246,039	0	4,744,861
Net Fixed Assets	\$ 4,450,757	\$ (81,833)	\$ 63,463	\$ 4,305,461

There were no impairment of capital assets as described above as of December 31, 2019 and 2017

5. Compensated Absences

The District pays for unused vacation at the anniversary date of employment and records the expenses as an expense for that year. The District does not pay out unused sick leave.

Rural Water District Number 3
Sedgwick County
Mulvane, Kansas
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019

NOTE C. - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

1. Budgetary Information

The District adopts an internal budget for the support and maintenance of the District.

2. Compliance with Kansas Statutes

Management is not aware of any statutory violations for the years ended December 31, 2020.

NOTE D. - OTHER INFORMATION

1. Defined Contribution Pension Plan

The District established a Simple IRA program beginning in 1999 for qualified employees. The District matches employee contributions to the plan up to 3 percent of compensation. The District's contribution for the years ended December 31, 2020 and 2019 was \$8,264 and \$7,302 respectively.

2. Risk Management

The District is exposed to various risks of loss related to torts' theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the District carries commercial insurance. During the last three years, claim settlements have not exceeded insurance coverage.

3. Concentrations of Risk

The District purchases 100 percent of its water from the City of Wichita.

4. Net Position

Net position in proprietary fund financial statements is classified as net investment in capital assets, restricted, and unrestricted. Restricted net position represents constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or imposed by law through State statute. As of December 31, 2020 or 2019 the District did not have any restricted net positions.

5. Net Position – Restated

Net position for December 31, 2019 has been restated for a change in the way the District accounts for investments held to maturity. The District is no longer accounting for minor changes in investments due to market fluctuations instead the District (which hold investments in debt securities to maturity) will now record investments held to maturity at amortized cost.

Net position as original reported at December 31, 2019	\$ 9,338,997
Change in method of accounting for investments held to maturity	<u>(14,103)</u>
Adjusted Net position as of December 31, 2019	<u><u>\$ 9,324,894</u></u>

6. Subsequent events

Management has evaluated events through February 20, 2021 and has determined there are no significant events that require disclosure.

SUPPLEMENTARY INFORMATION

Rural Water District Number 3**Sedgwick County**

Mulvane, Kansas

SCHEDULE OF REVENUES AND EXPENDITURES COMPARED TO BUDGET

For the Year Ended December 31, 2020

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Operating Revenues			
Water sales	\$ 852,653	\$ 977,600	\$ 124,947
Monthly minimum fees	707,000	723,552	16,552
Penalties	21,000	19,982	(1,018)
Other fees and receipts	<u>2,400</u>	<u>17,869</u>	<u>15,469</u>
Total Operating Income	<u>1,583,053</u>	<u>1,739,003</u>	<u>155,950</u>
Cost of Sales			
Cost of Water	0	20,747	(20,747)
Cost of Pumping	4,440	4,847	(407)
Cost of Chlorination	2,760	0	2,760
Cost of Water-Wichita	514,449	595,897	(81,448)
Clean Drinking Water	<u>4,800</u>	<u>4,043</u>	<u>757</u>
Total Cost of Sales	<u>526,449</u>	<u>625,534</u>	<u>(99,085)</u>
Gross profit	<u>1,056,604</u>	<u>1,113,469</u>	<u>56,865</u>
Operating Expenses			
Wages - Total	291,045	282,284	8,761
Meter Readers	30,700	31,497	(797)
Payroll Tax Accountant	25,054	22,665	2,389
SIMPLE Match	8,400	8,839	(439)
Fuel & Vehicle Maint.	14,880	13,742	1,138
One Call Locations	3,100	4,027	(927)
Legal Fees	23,000	41,205	(18,205)
Engineering Fees	6,000	59,253	(53,253)
Accounting & Auditing	14,700	5,931	8,769
Contract Repairs	19,200	22,257	(3,057)
Repair Supplies	14,160	21,968	(7,808)
Tower Lights	3,600	2,102	1,498
Propane	3,360	1,602	1,758
Telephone	5,280	5,710	(430)
Office & Software	17,600	19,852	(2,252)
Postage	9,800	10,517	(717)
Insurance & Bonds	35,500	35,869	(369)
Employee Benefits-Insurance	64,600	71,537	(6,937)
Miscellaneous	9,000	13,536	(4,536)
Christmas & Meetings	7,200	5,536	1,664
Reimbursed Expenses	4,600	4,500	100
Dues and Fees	4,700	6,064	(1,364)
Real Estate Tax	0	14	(14)
Education/Training/Conf	1,200	714	486
Depreciation	240,000	246,042	(6,042)
Office Utilities	<u>3,000</u>	<u>2,302</u>	<u>698</u>
Total Operating Expenses	<u>859,679</u>	<u>939,565</u>	<u>(79,886)</u>

See Independent Auditor's Report.

Rural Water District Number 3
Sedgwick County
Mulvane, Kansas
SCHEDULE OF REVENUES AND EXPENDITURES COMPARED TO BUDGET
For the Year Ended December 31, 2020

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Net Operating Income (Loss)	\$ 196,925	\$ 173,904	\$ (23,021)
Non-Operating Revenues (Expenses)			
Gain (Loss) on Sale of Assets	0	18,122	18,122
Other losses	0	(947)	
Interest income	<u>89,900</u>	<u>87,383</u>	<u>(2,517)</u>
Total Non-Operating Income (Loss)	<u>89,900</u>	<u>104,558</u>	<u>15,605</u>
Other Revenues and (Expenses)			
Sales of benefit units	<u>0</u>	<u>157,000</u>	<u>157,000</u>
Total Other Revenues and (Expenses)	<u>0</u>	<u>157,000</u>	<u>157,000</u>
Net Income	\$ <u><u>286,825</u></u>	\$ <u><u>435,462</u></u>	\$ <u><u>149,584</u></u>

See Independent Auditor's Report.

Rural Water District Number 3**Sedgwick County**

Mulvane, Kansas

SCHEDULE OF REVENUES AND EXPENDITURES COMPARED TO BUDGET

For the Year Ended December 31, 2019

	Budget	Actual	Variance Favorable (Unfavorable)
Operating Revenues			
Water sales	\$ 805,574	\$ 761,996	\$ (43,578)
Monthly minimum fees	694,800	706,977	12,177
Penalties	21,000	21,030	30
Other fees and receipts	2,400	5,284	2,884
Total Revenues	1,523,774	1,495,287	(28,487)
Cost of Sales			
Cost of Water Purchases	516,022	483,600	32,422
Gross profit	1,007,752	1,011,687	3,935
Operating Expenses			
Wages - Total	271,200	247,544	23,656
Meter Readers	30,240	30,716	(476)
Payroll Tax Accountant	23,400	19,917	3,483
SIMPLE Match	8,400	8,264	136
Fuel & Vehicle Maint.	14,880	12,756	2,124
One Call Locations	2,760	3,020	(260)
Legal Fees	27,120	22,940	4,180
Engineering Fees	6,000	6,155	(155)
Accounting & Auditing	14,760	5,746	9,014
Contract Repairs	19,200	13,011	6,189
Repair Supplies	14,160	13,717	443
Tower Lights	2,760	3,588	(828)
Propane	3,360	2,540	820
Telephone	5,280	5,061	219
Office & Software	11,880	16,768	(4,888)
Postage	9,960	9,667	293
Insurance & Bonds	35,500	29,917	5,583
Employee Benefits-Insurance	55,200	68,016	(12,816)
Miscellaneous	4,560	8,924	(4,364)
Christmas & Meetings	7,200	9,185	(1,985)
Reimbursed Expenses	4,600	4,750	(150)
Dues and Fees	5,040	5,500	(460)
Real Estate Tax	2,900	13	2,887
Education/Training/Conference	1,200	690	510
Depreciation	240,000	246,039	(6,039)
Office Utilities	3,600	3,014	586
Total Operating Expenses	825,160	797,458	27,702
Net Operating Income (Loss)	182,592	214,229	31,637

See Independent Auditor's Report.

Rural Water District Number 3
Sedgwick County
Mulvane, Kansas
SCHEDULE OF REVENUES AND EXPENDITURES COMPARED TO BUDGET
For the Year Ended December 31, 2019

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Non-Operating Revenues (Expenses)			
Gain (Loss) on Sale of Assets	\$ 0	\$ (13,032)	\$ (13,032)
Unrealized gains (losses)	0	(14,103)	(14,103)
Interest income	<u>80,400</u>	<u>115,171</u>	<u>34,771</u>
Total Non-Operating Income (Loss)	<u>80,400</u>	<u>88,036</u>	<u>7,636</u>
Other Revenues and (Expenses)			
Sales of benefit units	<u>0</u>	<u>150,940</u>	<u>150,940</u>
Net Income	\$ <u><u>262,992</u></u>	\$ <u><u>453,205</u></u>	\$ <u><u>190,213</u></u>

See Independent Auditor's Report.